



MINUTES

Greater Shepparton City Council

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

3:00PM, Wednesday 9 August 2023

Virtually

COMMITTEE MEMBERS

Mr Goran Mitrevski (Chair)

Cr Shane Sali (Mayor)

Cr Anthony Brophy

Mr Stephen Coates

Mr David Kortum

VISION

GREATER SHEPPARTON, GREATER FUTURE

A thriving economy in the foodbowl of Victoria with excellent lifestyles, innovative agriculture a diverse community and abundant opportunities

M I N U T E S
for the
AUDIT AND RISK MANAGEMENT COMMITTEE
held on
WEDNESDAY 9 AUGUST 2023 AT 3:00PM

CHAIR
MR GORAN MITREVSKI

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Risk Matrix

Risk Level Matrix Legend

Note: A number of reports in this agenda include a section on “risk management implications”. The following table shows the legend to the codes used in the reports.

Likelihood	Consequences				
	Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Almost Certain (5) Would be expected to occur in most circumstances (daily/weekly)	LOW	MEDIUM	HIGH	EXTREME	EXTREME
Likely (4) Could probably occur in most circumstances (i.e. Monthly)	LOW	MEDIUM	MEDIUM	HIGH	EXTREME
Possible (3) Reasonable probability that it could occur (i.e. over 12 months)	LOW	LOW	MEDIUM	HIGH	HIGH
Unlikely (2) It is not expected to occur (i.e. 2-5 years)	LOW	LOW	LOW	MEDIUM	HIGH
Rare (1) May occur only in exceptional circumstances (i.e. within 10 years)	LOW	LOW	LOW	MEDIUM	HIGH

Extreme	Intolerable – Immediate action is required to mitigate this risk to an acceptable level. Event/Project/Activity is not to proceed without authorisation
High	Intolerable – Attention is needed to treat risk.
Medium	Variable – May be willing to accept the risk in conjunction with monitoring and controls
Low	Tolerable – Managed by routine procedures

Present

Committee Members

- Goran Mitrevski (Chair)
- David Kortum
- Stephen Coates
- Cr Shane Sali (Mayor)
- Cr Anthony Brophy (Deputy Mayor)

Council Officers

- Peter Harriot - Chief Executive Officer
- Chris Teitzel - Director Corporate Services
- Louise Mitchell - Director Community
- Nicole Pretty - Manager Information, Communication & Technology
- Rebecca Good - Manager Corporate Governance
- Karen Liversidge - Manager People & Development
- Hannah Shelton - Manager Riverlinks Venues
- Claire Barnes - Manager Finance & Rates
- Jodie Sessions - Team Leader Risk & Assurance
- Lisa Edwards - Official Minute Taker

Internal Audit Representatives

- Andrew Zavitanos - Crowe Australasia
- Amir Mousa - Crowe Australasia

1 Acknowledgement

We, Greater Shepparton City Council, acknowledge the Yorta Yorta Peoples of the land which now comprises Greater Shepparton, we pay our respect to their tribal elders, we celebrate their continuing culture and we acknowledge the memory of their ancestors.

2 Apologies

Nil received.

3 Declarations of Conflict of Interest

Disclosures of conflicts of interest in relation to advice provided in this report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers, delegates or contractors who have provided advice in relation to this agenda have declared a conflict of interest regarding the matter under consideration.

Disclosure must occur immediately before the matter is considered or discussed.

Nil received.

4 Confirmation of Minutes of Previous Meetings

RECOMMENDATION

That the minutes of the 11 May 2023 Audit and Risk Management Committee meeting as circulated, be confirmed.

Moved by David Kortum

Seconded by Stephen Coates

5 Officer Reports

5.1 Action Register Report

5.1.1 Action Register Report – 6 April 2023

Author	Team Leader Risk & Assurance
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

The Action Register report monitors actions assigned from the Audit and Risk Management Committee meetings providing transparency and oversight of the actionable items.

The Action Register status report allows the Audit and Risk Management Committee (Committee) to monitor the status of actions identified at Committee meetings to ensure they are addressed and completed in a timely manner.

There were five actions in total resulting from the 11 May 2023 Audit and Risk Management Committee meeting.

These included:

1. Item 5.3.1 March 2023 Monthly Financial Report – in progress
2. Item 5.3.2 2022/2023 Interim Audit – Draft Management Letter - completed
3. Item 5.4.2 Operational Risk Report – High / Extreme – risk to be assessed as a risk to respond to a fall out, not to remove the hazard – in progress
4. Item 5.4.2 Operational Risk Report – High / Extreme – revision of risks – in progress
5. Item 5.4.4 Project Risks – in progress

Discussions and Questions from the Committee

Nil received.

Actions Arising from the Committee Meeting

Nil.

5.2 CEO Report

5.2.1 CEO Report

Author	Team Leader Risk & Assurance
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

This report is a standing agenda item allowing Peter Harriott the opportunity to provide the Committee with a verbal update on key milestones, issues, incidents or Victorian Auditor General's Office (VAGO) reports that may or may not have a direct impact to Greater Shepparton City Council.

The cancellation of the Commonwealth games was very disappointing. There has been a package of funds offered and Council is working with the State Government to talk about the redistribution of those funds. Shepparton may miss out as the focus so far has been on other areas. We suggested that the funds could be distributed evenly to support other projects such as the Sports Stadium. Shane and I met with Federal Politicians in Canberra and spoke about the other grants available that would be suitable. Victoria is very disadvantaged as the State budget is not in the position to match any Federal grants being offered so the chance of us being able to qualify for a grant is pretty unlikely.

In relation to the flood event, NSW and QLD have a voluntary buy back scheme that allows for the purchase of houses that are in flood prone areas. The conversation has been started here in Victoria to see if we could offer a similar scheme.

The timing of Financial Assistance Grants can make the financial data we release confusing because we don't know if the funds will be delivered on time, late or sometimes which financial year they will be received in. This makes it hard to see our true financial stance and some clarification around the delivery of the funds would help us to present clearer and reliable data.

The premiums for flood insurance have increased for both residents and Council, the total amount that we are insured for has also changed. The amount we were covered for was \$20 million, now it has been reduced to \$2 million and the premium has increased. This means that a lot of the properties that were insured for this recent flood event will not be going forward. At this stage it is unknown if the State Government would then offer grants to assist if we experience another flood event.

Discussions and Questions from the Committee

- The Committee asked what the financial implications for Council were in regards to the money spent already in preparation for the Commonwealth Games.
 - The BMX track had been damaged during the floods so the Insurance payment has helped with some of the upgrades to the BMX track. There has been a grant for \$3 million provided to us that will cover any money that had already been spent for upgrades or to cover any extra staff positions that were created to manage the games workload.
- The Committee asked if Council had looked at the Moira Shire Report and were there any learnings from that report that may assist Shepparton Council. Subsequently had there been any reviews completed on Council operations to mitigate a similar thing happening here.
 - Peter replied and said that yes we have looked at the report especially around their asbestos situation, employment issues, and the way conflict of interest had been managed. We have reached out to Moira and have met with the Local Government Minister with an offer to assist in any way. We will continue to learn and review our policies and procedures based on the issues reported by Moira.
- The Committee asked for an update on the Waste Procurement issue.
 - Peter said that the Councillors had been briefed and a report had been included in the August Council meeting agenda. The current contract will be extended and the contract process will begin again.
- The Committee asked about the risk to council of the unmanaged and not insurable assets going forward. Would Council be looking at putting reserves aside or the option of self-insuring.
 - Chris advised that both options had been considered but would be quite expensive so more investigation would be undertaken. Currently trying to reduce the future development in flood prone areas and also reduce our ownership of properties where we can, so if a flood event occurs again we would not be responsible for repairs.

Actions Arising from the Committee Meeting

- Request to please provide a report on any unmanaged risk that is uninsurable and what the plan would be if Shepparton were to face a flood event again, at the September meeting.

5.3 OHS Report

5.3.1 OHS and Work Cover Report

Author	Manager People and Development
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

The OHS and Work Cover report is presented to the ARMC to provide an overview of activities that have occurred within Greater Shepparton City Council between January 2023 and June 2023. The report provides a breakdown of the following:

- Total number of reported Incidents by Directorate
- OHS reported incident type by Directorate
- OHS and Risk reported hazards, near misses and incidents by Month
- Actual incidents reported by type and by Directorate
- WorkSafe entry reports and improvement notices for the past six months
- Drug and Alcohol Report for the past six months
- Work Healthy Australia results for the past six months
- Work Cover premiums report

Discussions and Questions from the Committee

The report around incidents reported and dealt with is separated into Directorates and this shows that the Infrastructure Directorate is catching up with the Community Directorate with incidents reported.

The top 4 incident types reported have changed due to seasonal influences with insect and animal bites becoming prolific. Cat bites have become an issue at animal shelters, and staff have been provided with PPE for protection. One yabbie bite was also reported. People and Development are monitoring any patterns that occur.

Work safe are showing a lot of interest in Council but there has been nothing of concern to report as we have only had 4 reports in the last 6 months. Work Safe inspected our incidents reported and our processes and were happy, with no improvements required.

Drug and alcohol testing was conducted and out of the 174 completed there were no positive results produced.

In the past twelve months Work Healthy Australia have treated 84 cases which would be classified by Work Safe Australia to have the potential to move to a WorkCover claim. The previous 12 month reporting period had 107 cases, showing a 21% decrease in injuries.

Work Healthy Australia are compiling a health, wellbeing and work safety report through an internal investigation which will provide Council with an idea of areas for improvement. Council is also looking at a work hardening program for employees to organise a fit for task assessment so we can then determine if we need to provide an exercise program to reduce rsi and any other physical injuries.

Reporting is showing that there are more non work related than work related soft tissue injuries requiring appointments with our soft tissue providers.

Our WorkCover premium estimate has increased. Council are compared to other local government organisations and industries and get rated as a whole rather than an individual so this will contribute to our premium increasing even though claims are decreasing. The premium is forecasted to be up by \$300,000 and the next few years will increase also as some cases include the inability for staff to return to work.

Psychosocial hazards are also being addressed. A risk matrix has been created and used to identify any potential risks. EML will also conduct a potential risk audit to assist. From the audit a report will then be provided to Council to help mitigate these risks. The audit report fully funded through EML, resulting in no cost to council.

- The Committee asked if each Directorate will have its own individual psychosocial risk register or will it be recorded at an enterprise level.
 - The register will be at an enterprise level as it will be difficult to pin down to a specific Directorate. There may be some areas that have higher results like bullying and harassment or trauma that could be identified from the audit.
- The Committee asked if there had been any significant near misses since June.
 - The response was no.
- The Committee asked about the WorkCover premium increase and if there was an option to test it in the market with other providers.
 - Council are looking at the option of moving to another insurer although there may be some legislation coming through that may limit options. Council's interactions with EML have been positive but other options are being investigated. Council did look into the MAV Self Insurance Scheme 7-8 years ago but at the time they had an average cost premium that would have been higher for us. We are in the same boat again now due to the cap being raised and others having higher claims than us.
- The Committee asked why there were fluctuations in the number of drug and alcohol tests conducted each month.
 - Karen responded and said it was dependent on who is available at the time, there were spikes where a tester will go to a specific area and things like school holidays can affect numbers.

Actions Arising from the Committee Meeting

Nil.

5.4 Finance Report

5.4.1 2022/23 Asset Valuation Report

Author	Manager Finance and Rates
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

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Key Discussion Points

Council conducts formal revaluations and annual fair value assessments as required by the Accounting for Property, Infrastructure, Plant and Equipment Policy and AASB 116 Property Plant and Equipment.

Discussions and Questions from the Committee

The 2022/2023 Financial Year saw the revaluation of buildings, heritage buildings, land, land under roads and civic regalia. The valuations were carried out by LG Valuations (buildings, heritage buildings, land and land under roads) and Blashki's.

- The Committee referred to Item 3 on page 51 and enquired as to whether Council had to make any adjustments from the original report.
 - The reply was no. No adjustments were made to the recommended land under road discount rates.
- The Committee asked about the land valuation on Page 103 and why it had decreased.
 - Claire replied saying that the base unit had changed, possibly due to the way CASA allows land around the airport to be used, however clarification would be sought.

Actions Arising from the Committee Meeting

- Report back to the Committee with an understanding for the decrease in land value for the aerodrome before the September meeting (out of session).

5.4.2 Financial Impact of October 2022 Flood

Author Manager Finance and Rates
 Approved by Director Corporate Services
 Purpose For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

In October 2022 the Greater Shepparton region experienced a significant flood event, with the communities of Bunbartha, Kialla, Mooroopna, Murchison, Shepparton, Toolamba and Undera all significantly affected.

This purpose of this report is to provide information on the impact of the October 2022 flood event on Councils 2022/2023 financial statements, including funding income, expenditure and information regarding asset impairments and write offs incurred in 2022/2023.

Discussions and Questions from the Committee

This paper was in response to the update given at the May ARMC meeting. It is still difficult to say what the true net cost of the floods are as there are a number of claims still in play for insurance, and the Disaster Recovery Funding Arrangement is not yet finalised. Assumptions have been taken around the expected excess claims settled. Officers are proposing to provide regular updates through the Finance Report until claims relating to the event are finalized and a true impact can be determined.

- The Committee referenced the funding sources table on page 122, noting that the additional funding received shows uninsured risk. Referenced earlier discussion in relation to self-insurance.
 - Claire outlined the various funding available including Disaster Recovery Funding and the Council Flood Support Fund and the challenges arising with meeting the eligibility requirements.

Actions Arising from the Committee Meeting

Nil.

5.4.3 Position Paper - 2022/23 Landfill Provision

Author Manager Finance and Rates
 Approved by Director Corporate Services
 Purpose For Noting

Disclosures of Conflict of Interest in Relation to this Report

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No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

To comply with the requirements of the Environment Protection Authority (EPA) licence, Council is required to recognise a provision for the costs of all rehabilitation, monitoring and aftercare of the sites for 30 years after closure of the landfill.

Discussions and Questions from the Committee

A summary of movements is provided in a table on page 127, with a reconciliation to opening and closing balance on page 128. Claire noted the \$8.6m movement due to change in discount rates will flow through to the income statement as a negative finance cost in the Financial Statements to be reviewed at the September meeting.

- The Committee sought to clarify that the review would be subject to external audit, this was confirmed.
- The Committee noted that the indexation rate discussed in note 4 on the paper does seem a bit low compared to other position papers from another Council and described their methodology, noting that this will also be subject to audit.
 - Claire confirmed that the choice of indexation was consistent with the previous year, however there were other options that could be discussed with the auditors if required.

Actions Arising from the Committee Meeting

Nil.

5.4.4 Position Paper – Parking Infringement Doubtful Debts

Author Manager Finance and Rates
 Approved by Director Corporate Services
 Purpose For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

AASB 9 Financial Instruments effective from 1 July 2018 requires council to recognize lifetime expected credit losses (ECL) that will arise from penalty infringement notices (PIN) that have been issued but not yet collected.

Council issue parking penalty infringement notices and undertake internal recovery activities pursuant to the *Fines Reform Act 2014*. Unpaid infringement notices are then referred to Fines Victoria for recovery within allowable time limits.

Council officers have undertaken the annual review of the expected credit loss model for outstanding penalty infringement notices and revised the applicable recovery assumption.

Discussions and Questions from the Committee

- The Committee asked if a collectability analysis had been performed to see why people were not paying.
 - Fines Victoria are set up to have all fines sent to them so the collection of funds relies on them. We believe that the payment of parking fines issued by us were impacted by COVID.
- The Committee suggested for Council to see if there was a way to get Fines Victoria to chase up some of the \$1.4 million doubtful debt for fines.
 - Officers noted that a review of parking technology currently underway would also review collection options.

Actions Arising from the Committee Meeting

Nil.

5.5 Risk Management and Insurance Reports

5.5.1 Operational Risk Report – High/Extreme

Author	Team Leader Risk & Assurance
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

Council currently has two high risks which are subject to regular monitoring and review. Both identified risks relate to the same property within the Municipality and have been identified as a shared risk. Council is committed to providing updates on these risks to ensure appropriate controls are in place to mitigate the risks as much as possible. Council is also committed to working with other agencies in reducing any potential impacts to the community and environment.

Discussions and Questions from the Committee

In response to the Committee's request to identify all risks associated with OR311, the Director Community has created a new risk, OR333 – Hazardous materials – incident, which has identified the controls, and the roles other agencies have if an incident were to occur.

These include:

- All risks relating to the hazard are managed via the Community Emergency Risk Assessment (CERA) process facilitated by VICSES.
- The original CERA was conducted in 2018, and most recently reviewed by the MEMPC in June 2023 to be finalised in August 2023. The finalisation of this review will reflect the MEMPC's joint responsibility to plan for all hazards and all agencies.
- The CERA risk assessment identifies a number of specific impacts, including:
 - Vulnerabilities
 - Likely impacts
 - Mitigations; and
 - Owners (responsible agencies)
- Health impacts – responsibility of Ambulance Victoria
- Environmental impacts – Environment Protection Authority (EPA)
- Emergency relief – Greater Shepparton City Council. Council could also be required to assist with traffic management, logistics, and post-event recovery. The Department of Families, Fairness & Housing could provide additional support to Council; and
- Site impacts will be overseen by Victoria Police

Based on the controls of this risk, the effectiveness of controls is rated as good.

- The Committee asked if the EPA had articulated any areas of concern in relation to this site.
 - The toxic potential is a real concern if there was a fire as the type of material being contained will lead to an EPA issue relating to pollution. If the EPA can make inroads in the disposal of the waste material being held on this site, it will go a long way towards mitigating concerns. Work Safe are also involved and all agencies are working together to mitigate any further concerns.
- The Committee asked how the case notes on this issue were recorded and managed.
 - Council are able to follow up with the Buildings Appeal Board as everything is tracked and documented with them. Council also rely on other entities to provide the information stored by them. The case has been very strongly documented and council can show the steps and processes that have been taken along the journey.

Actions Arising from the Committee Meeting

Nil.

5.5.2 Audit & Risk Management Committee - Charter and Annual Work Program

Author	Team Leader Risk & Assurance
Approved by	Director Corporate Services
Purpose	For Decision

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

The Audit and Risk Management Committee Charter has undergone a scheduled review, with proposed changes presented to the Committee for consideration. Reviews of the charter will continue to be conducted every two years, with the next review occurring in 2025.

The Annual Work Program has also been reviewed and presented for endorsement, with the next scheduled review due to take place prior to the commencement of the 2024/2025 financial year.

Following presentation to the Committee, the Charter will be presented to Council for adoption.

Discussions and Questions from the Committee

Changes made to Charter were as follows:

- Section 3.1 was reworded to reference the Mayor as a Councillor.
- Section 4.3 has added details on requirements around options where quorum cannot be met.
- Section 7.1.4 was amended to enable the CEO to engage independent external consultation to conduct an audit.

Actions Arising from the Committee Meeting

- Jodie to send through charter showing tracked changes.

5.5.3 Risk Management Framework

Author	Team Leader Risk & Assurance
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

The Risk Management Framework is a newly developed document replacing the Risk Management Policy which was adopted on 19 November 2019.

The framework has been developed in line with the ISO31000:2018 Risk Management Guidelines, the Victorian Government Risk Management Framework (VGRMF), and the Victorian Managed Insurance Authority (VMIA).

Key changes to the document include:

- Retitled to 'Framework' - broadened Councils approach towards risk management
- New Risk Appetite Statement – rewritten in line with Council Plan
- Updated Risk Categories – provides more opportunity to assign multiple risk categories against a risk and are the risk categories that are likely to affect Council
- Introduction of 'Three Lines of Defence' model – widely accepted best practice approach in effectively managing risk
- Introduction of Child Safe Standards – introduced July 2022 and is a requirement to incorporate in key documents including risk management (Standard 9).
- Amended Risk Matrix
 - Includes a multiplication calculation table
 - Extreme consequence removed and replaced with catastrophic; and
 - Risk matrix table has been flipped.

Discussions and Questions from the Committee

Training will be held once the document is completed, either late this year or early next year.

- The Committee advised there had been a change to the Three Lines of Defence model. Suggestion to remove the word defence and update with the new diagram.
- The Committee commented around the framework and said it will be great to get it to a stage where we have it developed and the training has been completed.
- The Committee asked if the Risk Appetite statement, item 7, would contain separate documents for events for each area of risk.
 - It was noted that these are currently being worked on.



Actions Arising from the Committee Meeting

- Update Three Lines of Defence model, remove the word defence and update with the new diagram.
- Provide a table to show what Council are and aren't doing from the 3 areas and how they are applied.

5.5.4 Overdue Audit Item Report

Author	Team Leader Risk & Assurance
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

The purpose of this report is to provide the Committee with oversight on the timeliness of which audit recommendations are completed within the agreed timeframes.

Discussions and Questions from the Committee

At present, Council does not have any overdue audit recommendations, however, has nine that are currently 'not due'. The list of current items has been included in the report to refer to.

- The Committee asked why an extension had not been sought back in October 2022 and March 2023.
 - The report was not addressed in a timely manner as a lot of the personnel were consumed by the flood recovery.
- The Committee asked what the risk of not having these recommendations created would be.
 - Chris reported that the risk was fairly low, there had been a few changes in personnel that led to the delay but Council had been restructuring teams to assist.

Actions Arising from the Committee Meeting

Nil.

5.5.5 Insurance Claims Report - 1 January - 30th June 2023 and Flood Recovery Update

Author	Risk & Insurance Advisor
Approved by	Director Corporate Services
Purpose	Information Only

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

The Insurance Claims report contains all claims that have been received from 1 January to 30 June 2023.

Discussions and Questions from the Committee

December and March weather related events claims nearly finalised. Wildlife contributing to vehicle incidents.

- The Committee asked about the progress of the Tree Management Audit Schedule.
 - A number of staff are actively managing the street trees and any that were deemed to be a risk to the community or structures.

Actions Arising from the Committee Meeting

- Provide information on the progress of the Tree Management Audit and the current or potential areas of risk.

5.6 Information, Communication & Technology Report

5.6.1 Pen Test Report

Author	Manager Information and Communication Technology
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

The penetration test was conducted by *Security Centric*, an Australian information security assessment provider, with experience working with government level organisations including the Defence Force. *Security Centric* hold relevant certifications in information and cyber security including; ISO 27001 Information Security Management, Council of Registered Ethical Security Testers, Offensive Security Certified Professionals and Certified Information System Security Professional certifications.

Three penetration tests were conducted during the month of June; an Internal and External Infrastructure Penetration Test and an external Web Application Penetration Test. The following overall risk ratings were found;

Critical Risks = 4

High Risks = 1

Medium Risks = 7

Low Risks = 9

Discussions and Questions from the Committee

The results showed only 4 critical risks compared to 17 last year so that was a great improvement, mainly due to staff and new technology. The team has deciphered what action needs to be taken as per report, some have been completed and they are working on others. Actions undertaken to prevent risk has been great, so a positive for the team. Another benefit was that the security team are calling us to alert us of any risks straight away, which means the team get the information straight away.

- The Committee questioned if Item 3 on page 231 had already been completed or should it reflect 2024.
 - Nicole reported that no it had not been completed as yet, there was an error in the report as it should reflect 30/06/2024 not 30/06/23.

Actions Arising from the Committee Meeting

Nil.

6 Internal Audit Reports

6.1 Review Audit Approach with Internal Auditors

6.1.1 Awarded Contract 2273 - Provision of Internal Audit Services

Author	Team Leader Risk & Assurance
Approved by	Director Corporate Services
Purpose	For Noting

Disclosures of Conflict of Interest in Relation to this Report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Key Discussion Points

Council received four tenders for the Provision of Internal Audit Services.

The four tenders were:

- AFS Associates Pty Ltd;
- The Trustee for Birdanco Practice Trust t/as RSM Australia;
- Findex Australia Pty Ltd t/as Crowe Australasia; and
- The Trustee for Meyrick Webster Unit Trust t/as HLB Mann Judd.

Contract 2273 Provision of Internal Audit Services has been awarded to Crowe Australasia.

Contract arrangements commenced last month, with the first meeting held with the internal auditors on 24 July 2023.

Discussions and Questions from the Committee

Andrew and Amir introduced themselves. Majority of their work is in Local Government and both have been involved for many years. Andrew and Amir will introduce themselves at the next Executive Leadership Team meeting and have a broader discussion on what Council want to focus on the next 12 months, making sure critical areas are covered.

- The Committee asked what the cost of the investment was, and how many reviews would be held for that investment.
 - The investment was roughly \$100k per year and that included 5 audits (including follow-up review) annually.
- The Committee advised that as long as there is adequate days put aside for these reviews to be completed then we should get good results.

Actions Arising from the Committee Meeting

Nil.

7 General Business

- The Chair gave a warm welcome to Andrew and Amir.
- Preference around receiving ARMC agendas was sought from the Committee. A decision was made to use Docs On Tap for the agenda and minutes going forward and to continue assembling the agenda with the attachments after each report.

8 Date of Next Meeting

Wednesday, 6 September 2023 at 3pm via Microsoft Teams.

9 Meeting Closure

Meeting closed at 5.00pm.



MINUTES

Greater Shepparton City Council

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

3:00PM, Wednesday 6 September 2023

Virtually

COMMITTEE MEMBERS

Mr Goran Mitrevski (Chair)

Cr Shane Sali

Cr Anthony Brophy

Mr Daniel Butel

Mr Stephen Coates

Mr David Kortum

VISION

GREATER SHEPPARTON, GREATER FUTURE

A thriving economy in the foodbowl of Victoria with excellent lifestyles, innovative agriculture a diverse community and abundant opportunities

M I N U T E S
for the
AUDIT AND RISK MANAGEMENT COMMITTEE
held on
WEDNESDAY 6 SEPTEMBER 2023 AT 3:00PM

CHAIR
MR GORAN MITREVSKI

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Risk Matrix

Risk Level Matrix Legend

Note: A number of reports in this agenda include a section on “risk management implications”. The following table shows the legend to the codes used in the reports.

Likelihood	Consequences				
	Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Almost Certain (5) Would be expected to occur in most circumstances (daily/weekly)	LOW	MEDIUM	HIGH	EXTREME	EXTREME
Likely (4) Could probably occur in most circumstances (i.e. Monthly)	LOW	MEDIUM	MEDIUM	HIGH	EXTREME
Possible (3) Reasonable probability that it could occur (i.e. over 12 months)	LOW	LOW	MEDIUM	HIGH	HIGH
Unlikely (2) It is not expected to occur (i.e. 2-5 years)	LOW	LOW	LOW	MEDIUM	HIGH
Rare (1) May occur only in exceptional circumstances (i.e. within 10 years)	LOW	LOW	LOW	MEDIUM	HIGH

Extreme	Intolerable – Immediate action is required to mitigate this risk to an acceptable level. Event/Project/Activity is not to proceed without authorisation
High	Intolerable – Attention is needed to treat risk.
Medium	Variable – May be willing to accept the risk in conjunction with monitoring and controls
Low	Tolerable – Managed by routine procedures

Present

Committee Members

- Goran Mitrevski (Chair)
- David Kortum
- Stephen Coates
- Daniel Butel
- Cr Anthony Brophy (Deputy Mayor)

Council Officers

- Chris Teitzel - Director Corporate Services
- Rebecca Good - Manager Corporate Governance
- Claire Barnes - Manager Finance & Rates
- Anita Bourke - Team Leader - Financial Reporting
- Ash Weeks - Financial Accountant
- Rose Njoroge - Financial Analyst
- Sajid Khan - Finance Business Partner
- Fiona Steward - Financial Accountant - Fixed Assets
- Lisa Edwards - Official Minute Taker

External Audit Representatives

- Mahesh Silva – Audit Engagement Leader
- Cranos Moyo – Audit Manager

1 Acknowledgement

We, Greater Shepparton City Council, acknowledge the Yorta Yorta Peoples of the land which now comprises Greater Shepparton, we pay our respect to their tribal elders, we celebrate their continuing culture and we acknowledge the memory of their ancestors.

2 Welcome

The Committee Chair welcomed Mr. Daniel Butel, who is the recently appointed independent member of the Audit and Risk Management Committee.

3 Apologies

An apology was received from Cr Shane Sali, Peter Harriott and Jodie Sessions.

4 Declarations of Conflict of Interest

Disclosures of conflicts of interest in relation to advice provided in this report

Under section 130 of the *Local Government Act 2020* officers, delegates and persons engaged under a contract providing advice to Council must disclose any conflicts of interests.

No Council officers, delegates or contractors who have provided advice in relation to this agenda have declared a conflict of interest regarding the matter under consideration.

Disclosure must occur immediately before the matter is considered or discussed.

Nil Received.

5 Confirmation of Minutes of Previous Meetings

Recommendation

That the minutes from the 9 August 2023 of the Audit and Risk Management Committee meeting as circulated, be confirmed.

Moved by Stephen Coates.
Seconded by David Kortum.

6 Officer Reports

6.1 Financial

6.1.1 2022/2023 Financial Statements and Performance Statement

Key Discussion Points

In accordance with the *Local Government Act 2020* (the Act), Greater Shepparton City Council (Council) is required to prepare financial statements and a performance statement at the end of the financial year.

The Act requires Council to approve in principle the final financial statements and performance statement prior to submission to the Victorian Auditor-General's Office (VAGO).

The Act also requires that the Council authorises two Councillors to certify the financial statements and performance statement in their final form, after any changes recommended or agreed to by the auditor have been made. The Chief Executive Officer and Manager Finance and Rates (as the Principal Accounting Officer) will also be signatories.

Mahesh provided a summary of the external audit conducted on both the Financial and Performance Statements and was pleased that there were no adjusted differences in either statement or any new audit findings.

Claire provided a summary of the Financial and Performance Statements, then took questions from the Committee.

Discussions and Questions from the Committee

The Committee then went through the Financial Statement and raised the following points for discussion:

- The Committee sought assurance from RSD Auditors that they were comfortable with the revaluation process undertaken as it is a major component of the year end process.
 - Mr. Silva confirmed that they were happy with the process undertaken and no issues were identified.
- A \$10 million variance between 2022 Capital Works and 2023 Capital Works was noted, the Committee sought to understand the key differences.
 - Officers confirmed that much of the program is non-recurrent and resolved to provide analysis via email.
- The disclosure in relation to COVID-19 Impact in Note 1 was discussed, the Committee agreed that this would be the last year it would be required as it relates to comparatives only.
- The Note 1 total impact of impairment relating to the October 2022 Flood was discussed as it did not reconcile to Note 6.
 - Officers took an action to adjust the disclosure accordingly.

- The employee cost variance in Note 2.1.1 Performance Against Budget was discussed. The Committee sought to clarify whether the variance was due to anything specific and whether commentary would be appropriate due to the value.
 - Officers advised the variance relates to vacancies across the whole organisation and links to the continued increased turnover rate referenced in the Performance Statement. Commentary will not be provided as it doesn't meet the adopted materiality threshold.
- The Committee queried the reason for the increase in the Statutory Fees result in Note 2.1.1 Performance Against Budget and discussed the relationship with bad and doubtful debts.
 - Officers advised that the 2022 result for parking infringements was COVID impacted. The 2023 doubtful debts result is due to reduced likelihood of collectability in Council's expected credit loss review, with the \$1.48 million including elements of catch up on prior year balances. Officers do not expect this level of doubtful debts to be recurrent.
- The Committee queried the \$0 actual for project management office in Note 2.1.2 Performance Against Budget.
 - Officers advised that project management costs are budgeted for separately, with actuals reflected against the individual projects once costs are apportioned.
- The Committee also noted various references to deferral in the explanations of material variances in Note 2.1.2 Performance Against Budget and queried what the community perception of this would be.
 - Officers discussed key variances such as roads and footpaths and cycle ways, which were contingent on funding that is now delayed. Projects have been deferred in the long-term financial plan to align with funding availability, which should be perceived more favorably than completing projects with 100% Council funding.
- The Committee noted a review of Note 2.2.2 2022 results was required, officers took an action to resolve.
- The increase in valuation base disclosed in Note 3.1 Rates and Charges was noted by the Committee and discussion was had as to whether further disclosure was required in relation to the 0% rate rise, as total rates had not increased at the same pace as valuations.
 - No change to disclosure required following discussion.
- The Committee queried the summary of Note 6.2 Property Infrastructure Plant and Equipment (PIPE) on page 32 and the reconciliations on the subsequent pages.
 - Officers confirmed that work in progress (WIP) for each category of PIPE needs to be added to each table to enable full reconciliation. This is consistent with the model accounts.
- The increase to the value of Land Under Roads noted on page 38 was discussed, with the Committee querying the basis for the movement.
 - Officers discussed the methodology for Land Under Roads valuations and noted the increase in valuation is consistent with the rate base valuation increases.
- The Committee noted the payment to SAM Ltd disclosed in Note 7.2 and sought to clarify the interest of the CEO and Director of Corporate Services related to their positions on the board. This was confirmed.

- The Committee recommended other minor formatting changes to ensure consistency throughout the financial statements.

The Committee then reviewed the Performance Statement and raised the following points for discussion:

- The purpose of the population density per length of road indicator.
 - Officers discussed the differences between higher population density Council's and available funding and took an action to issue the indicator guide to the Committee.
- Service performance indicators for Animal Management and Food Safety have Health and Safety headers duplicated.
 - Officers confirmed that this was consistent with the model Performance Statement.
- The satisfaction rating for Council is lower than 2022 and how we compare to other Councils.
 - Officers advised that many other Councils have seen more significant reductions compared to prior year results. Officers will provide further analysis.

Moved by Stephen Coates
Seconded by Daniel Butel

That the Audit and Risk Management Committee endorse the Financial Statements and Performance Statement for the financial year ending 30 June 2023 and recommend Council give in principle approval to certify the statements prior to submission to the Victorian Auditor-General.

Actions Arising from the Committee Meeting

- The Committee requested to remove off street parking from the Statement of Capital Works.
- The Committee requested for the amended Financial Statements to be sent to Committee members, as last minute changes were made.
- The Committee requested to provide a summary of key movement of \$10 million between 2022 and 2023 Capital Works.
- The Committee requested to amend the total impairment due to the October 2022 on page 10 of the financial statement under item 1c. It should reflect \$3.83m not \$3.85m.
- The Committee requested to check the figures on page 15 of the Financial Statements for Note 2.2.2 as the figures for Infrastructure and Corporate Services don't total correctly.
- The Committee requested for the workbook that explains what the Performance Statement indicators were.
- The Committee requested to have a comparison on where Shepparton council sits compared to other Councils in relation to the Council satisfaction rating.

7 Date of Next Meeting

Wednesday 8 November at 3pm by Microsoft teams.

8 General Business

- The Committee Chair, thanked the Finance team for producing such clear and precise statements, thank you also to Mahesh and his team for conducting the external audit.
- David Kortum announced his resignation from the Committee after 4 years and thanked the Committee as he has enjoyed working with the Council and fellow Committee members.
- The Committee Chair acknowledged David's resignation and thanked him for all his contributions and the time he had given the Committee.

9 Meeting Closure

Meeting closed at 3:55pm.